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The Accounting Historians NOTEBOOK

Vol. 3, No. 2

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Fall, 1980

REPORT ON BASIC HISTORICAL METHOD

by

The Academy of Accounting Historians Research Committee

*Diana Troik Flamholtz, Chairperson
Loyola Marymount University*

In 1970 the Committee on Accounting History of the American Accounting Association defined accounting history in the following way: the study of the evolution in accounting thought, practices, and institutions in response to changes in the environment and societal needs. It also considers the effect that this evolution has caused on the environment. Although the 1970 committee defined the parameters of accounting history, just how such "study" was to be conducted was not really dealt with. Because most of the work in accounting history is done by accountants who may have little training in history, the Academy of Accounting Historians has asked the Research Committee to deal with questions of methodology.

The purpose of this report is to provide guidance to researchers in accounting history who may not be familiar with some of the research methods used by historians. This report concentrates on some basic concepts in historical methodology; a second report will focus on other techniques and specific areas of study. The material presented here is not new, but it is hoped that a concise summary of basic ideas will be helpful to accountants who may not have the time to delve into the various works available on historical methodology.

Nature of Historical Evidence

History, as a discipline or field of study, has developed a set of methods and concepts by which historians collect evidence of past events, evaluate that evidence, and present a coherent and meaningful discussion of it. Although complete knowledge of complex human events seems nearly impossible, the researcher can hope for sufficient

knowledge to permit an explanation or interpretation of the data. The value of the interpretation depends on the availability of adequate data, analysis of this evidence in context of the events, the condition of the sources, and on the methodological training of the investigator.

The nature of historical evidence therefore is crucial in dealing with historical research. There are numerous ways of categorizing historical evidence; the following grouping is not all-inclusive but should be useful to those working in accounting history.

A. Primary Works

Primary works are original source materials for historical fact—tangible materials which existed at the time the historical event was taking place and which aid in describing it. They include such items as eyewitness accounts, diaries, letters, and public documents (laws, treaties, business records, court decisions, etc.). They may include photographs and newsreels, as well as artifacts discovered by archaeologists. Stamps, coins, seals, wills, or any material if it is in its original, untampered form, can be classified as primary source material.

Written original sources do not have to be in their original manuscript form. However, a primary work cannot be edited, other than in organization, and still be classified as a primary work. For example, published collections of the correspondence of a chief accountant of the SEC are primary materials, even though the compiler has probably arranged them in some sort of order, either chronologically or by subject. However, an interpretation of that correspondence, even though

(continued on page 8)

PRESIDENT'S MESSAGE

At the August meeting the Trustees and key personnel of The Academy voted against a proposal to become a section of the American Accounting Association. However, the vote did not preclude further discussion to explore the possibility of affiliation with the AAA.

Attendance was excellent at the business meeting and at the technical session in the AAA program sponsored by The Academy. Many of those attending the Boston meetings also were present at the World Congress of Accounting Historians in London. This mid-August event was outstanding in every respect. Attendance was very good, the facilities at the London Business School were excellent and the papers delivered at the Congress were noteworthy. Our thanks go to Professors Bird, Lee and Parker who planned and organized the Congress.

During the remainder of my term as President of The Academy, I plan to evaluate our existing activities and to introduce more effective controls. I have circulated among key members a list of seven proposed changes in accounting policies. These proposals will strengthen The Academy's financial position by formalizing the budgetary process and by assigning responsibility to our various cost and/or profit centers. In addition, I have appointed Tom Johnson to chair an *ad hoc* Publications Review Committee. The charge of this Committee is to take a hard look at all aspects of The Academy's publication efforts. I hope that the Committee will have its preliminary report ready in time for the meetings next August.

Richard Brief

CALL FOR COMMITTEE MEMBERS

If any members are interested in serving on a committee of the Academy, they should notify the president, or the appropriate committee chairman, of their desires. The present committees and chairmen are as follows:

Research Committee

Diana Flamholtz

Archives Committee

Richard Vangermeersch

Taxonomy Committee

Harvey Mann

Accounting History Course

Thomas Burns

Publicity Committee

Peter McMickle

Translation Committee

Richard Brief

Membership Committee

Gyan Chandra and Dale L. Flesher

The addresses of the above chairmen are available in the Academy Membership Directory.

MANUSCRIPTS AND SHAGGY DOG STORIES

Anyone wishing to submit article manuscripts, short notes, cartoons, shaggy dog stories, letters to the editor, or other filler to THE ACCOUNTING HISTORIANS NOTEBOOK should send the material to the editor, Dale L. Flesher, School of Accountancy, University of Mississippi, University, MS 389677.

Accounting and Business Research Special Issue

A special history issue has been published of the research quarterly, *Accounting and Business Research*. The special issue is in honor of the centenary of the Institute of Chartered Accountants in England and Wales and this year's International Congress of Accounting Historians. Eight excellent history articles are included in the special issue. The specific contents are listed elsewhere in this issue of the *Notebook* in the "History in Print" column. A few copies of the special issue are still available and can be obtained from Accounting and Business Research, 56-66 Goswell Road, London, EC1M 7AB. The price is five pounds (twelve dollars).

THE ACCOUNTING HISTORIANS NOTEBOOK

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THE INCOME TAX IN THE UNITED STATES PRIOR TO THE SIXTEENTH AMENDMENT

*by William D. Wallace
University of Mississippi*

The issue of taxation has been the subject of debate since the establishment of the thirteen colonies. Citizens have consistently disapproved of being taxed (once to the extent of going to war about taxation, among other issues). To be taxed was viewed as being forced to give up a portion of the taxpayer's wealth. However, the philosophy stated by Justice Oliver Wendell Holmes, Jr. ("Taxes are the price we pay for civilization.") prevailed with the enactment of the Sixteenth Amendment in 1913.

The Sixteenth Amendment culminated a ninety-eight-year effort to instigate a permanent income generator for the United States. This paper presents a description of the attempts at taxation of income prior to the adoption of the Sixteenth Amendment.

The Civil War and Before

After the American Revolution there was an adverse feeling concerning taxes of any kind. The states, however, did create taxes and systems of collection, concentrating on goods or property. Secretary Dallas suggested the first federal income tax in 1815 to help finance the War of 1812. At this time, there was already a direct tax imposed on land and slaves, so Dallas could see no conflict of the income tax with the direct tax problem imposed by the constitution. The coming of peace eliminated any need for the income tax, so no income tax provision was enacted.¹

In 1861, the outbreak of the Civil War put pressure on Congress to provide some means of raising revenue. On July 4, 1861, Secretary Chase suggested that a "small part-not to exceed twenty million-of the required revenue be raised by direct taxes or internal duties or excises or both."² The first proposed method of raising revenue was the

use of a tax on real estate. Western citizens opposed the real estate tax, claiming that they would suffer the most from such a tax. Congressman Colfax stated,

"I cannot go home and tell my constituents that I voted for a bill that would allow a man, a millionaire, who has put his entire property into stocks, to be exempted from taxation, while a farmer who lives by his side must pay a tax."³

The westerners had a valid argument. In order to achieve greater equality, Congress was forced to consider income taxation. A portion of Secretary Chase's proposal-direct taxes-was unconstitutional. However, Congressman Edwards stated that, "We can tax it [income] in some mode if we cannot impose on it what is technically called a 'direct tax' . . ."⁴

Deliberation and debate continued until July 29, when the Bill was finally voted and passed by a narrow margin-seventy-seven to sixty. Setting a trend that still continues, the House and Senate versions of the bill were different: the House version called for a levy of 3% on all income over \$600 per year, while the Senate version called for a 3% rate on all income over \$1,000. The two bodies compromised, and the floor was established at \$800.

The income tax law of 1861 was delayed, however; there had been no provision for the assessment and collection of the taxes. Finally, the Internal Revenue Bureau was established in July 1861, and the law of 1861 was revised. This resulting revision imposed a tax of 3% on income in excess of \$600 and up to \$10,000 and 5% on income above \$10,000. Deductions were allowed for all other national, state and local taxes levied on "property or source of income." The initial bill in 1862 also allowed for the exclusion of "all gains

¹Seligman, Edwin R. A., *The Income Tax* (New York: McMillan Company, 1914), p. 431.

²*The Congressional Globe*, 37th Congress, First Session, Washington, 1861, p. 248.

³*Ibid.*

⁴*Ibid.*, p. 432.

and profits derived from advertisements, or on any articles manufactured. . . ,” effectively excluding all business profits. Upon realization of the exemption of business profit, the clause was removed in 1863.

The law of 1864 revised the 1862 law. One provision of the 1862 act that met with violent opposition by some congressmen was the progressive tax rate structure. Congressman Morrill stated, “This inequality is in fact no less than a confiscation of property, because one man happens to have a little more money than another.”⁶ The opposition to the progressive rate structure lost its battle as the rates were increased and became more progressive. The 1864 Act imposed a rate of 5% on income of \$600 to \$5,000; 7½% of \$5,000 to \$10,000; and 10% over \$10,000. This law is the model upon which all subsequent tax laws were based.

The Post-Civil War Era

The Civil War ended in 1865, creating the question of whether the tax should be continued. The tax, at its inception, was defined as temporary, expiring in 1870. The revenue was still sorely needed, and it was generally agreed that it could not be dispensed with immediately. The tax had been a fiscal success: during the war, the tax yielded one-fourth of the required revenue. The tax reached its peak rate (10% over \$10,000) in 1865 and its peak revenue of \$73 million in 1866.⁷ Congressman Morrill made it clear that he was in favor of abolishing the income tax as soon as possible. However, the Commissioner of Internal Revenue declared that he was strongly in favor of the continuance of the tax.

Opponents to the tax attacked the constitutionality of the tax on the grounds that the tax was (1) a direct tax, and (2) if it is not a direct tax, it does not meet the criterion of uniformity specified by the Constitution.

Since the Supreme Court had held in 1796 that a carriage tax was not a direct tax,⁸ uniformity was first challenged. Opponents contended that the

⁶Act of July 1, 1862, Sec. 89-93.

⁷*Congressional Globe*, 38th Congress, 1st Session, Washington, 1864, p. 1876.

⁸Sharp, Ansel M., and Olson, Kent W., *Public Finance: The Economics of Government Revenues and Expenditures* (St. Paul: West Publishing Company, 1978), p. 182.

⁹Hylton vs. United States, 3 Dall 171.

progressive rate structure and discriminating treatment of corporations (rates established by business form) made the income tax fail the uniformity test. The Supreme Court, however, ruled that the Constitution referred to geographic uniformity, and the income tax thus satisfied the test of uniformity.

Several taxpayers attempted to claim the income tax was a direct tax, but to no avail. The income tax finally died in 1872 when it was abolished.

In 1893, after a twenty-one-year lapse, President Grover Cleveland supported Congress in its attempt to pass a personal income tax to offset the revenue loss that would result if a proposed tariff reduction was approved. The Bill provided for a 2% tax on income over \$4,000. Though this bill was mild relative to its Civil War predecessor, it was still not a welcome addition to the economy. It was quickly contested.

In 1895, Charles Pollock, a stockholder in Farmers' Loan and Trust Company of New York, filed suit against the Company alleging a “breach of trust in misapplication or diversion of the funds of a corporation by illegal payments out of its capital or profits.”⁹ Pollock claimed that the income tax was unconstitutional and that the Company's willingness to pay the tax constituted the illegal act. The justices that heard the case were equally divided, and no opinion was expressed. The decrees of the lower courts were reversed concerning only the tax on rents or real estate and income derived from municipal bonds. In effect, the Supreme Court declared a portion of the Act unconstitutional. Pollock asked for a rehearing,¹⁰ stating that the Court failed to state: (1) whether some void provisions invalidate the whole Act, (2) whether. . . the act is unconstitutional as laying direct taxes, and (3) whether any part of its tax, if not considered as a direct tax, is invalid for want of uniformity.

The Supreme Court's opinion was as follows:

First. We adhere to the opinion already announced, that taxes on real estate being indisputably direct taxes, taxes on rents or income of real estate are equally direct taxes.

Second. We are of the opinion that taxes on personal property or on the income of personal property are likewise direct taxes.

⁹Pollock vs Farmers' Loan and Trust Company, 157 U.S.

¹⁰Pollock vs Farmers' Loan and Trust Company, 158 U.S.

Third. The tax imposed by Sections twenty-seven to thirty-seven, inclusive, of the Act of 1894, so far as it falls on the income of real estate and personal property, being a direct tax within the meaning of the Constitution, and therefore, unconstitutional and void because not apportioned according to representation, all these sections, constitutes one entire scheme of taxation, are necessarily invalid.

Four justices dissented, but the Supreme Court reversed its earlier stand concerning the income tax as a direct tax.

The Spanish-American War forced the passage of the War Revenue Act of 1898. The constitutionality of this Act was challenged in 1900, the Supreme Court rendered judgment for the plaintiff, and the Act was repealed in 1901.

The result of the court cases made it quite clear that constitutional change was in order if a valid personal income tax was to be levied. It is important to note that the income tax per se has never been ruled unconstitutional. The issue in 1894 was not the right of the federal government to levy a personal income tax, but the way in which the tax was levied.

The financial needs of the United States were growing, and, in 1909, another income tax act was passed. This income tax was imposed only on corporations and was at a rate of 1% on net income above \$5,000. Even while this act was being considered, Congress sent a resolution to the states to enable a constitutional amendment to allow Congress to enact a federal income tax on individuals as well as corporations. The states ratified the resolution so that in 1913 the three-fourths requirement was met.

Finally, effective February 25, 1913, the Sixteenth Amendment to the Constitution was enacted. This amendment provided Congress the power to collect taxes on incomes from any source without apportioning among the states and without regard to the census. On October 3, 1913, Congress imposed a personal income tax effective from March 1, 1913. This Act allowed a \$3,000 exemption. The rates were low-1% on income in excess of \$3,000 up to \$23,000, a surtax of 1% to 6% of income over \$23,000, and 7% on income over \$500,000. The personal income tax had become a permanent part of the American economy.

Earlier taxes were levied on property; these taxes met with hostile opposition. Governments tended to shy away from income taxes, relying upon import duties for raising revenue. Income taxes were usually only levied in the event of an outbreak of war. After the Civil War and the Spanish-American War, the income tax was challenged on the grounds of constitutionality. The challenges finally led to a necessary amendment to the Constitution and alleviated any grounds for contesting the legality of the tax established as of March 1, 1913.

RECENTLY RELEASED WORKING PAPERS

Three new working papers have recently been released as a part of The Academy of Accounting Historians Working Paper Series. The new papers are: No. 43, "A Synthesis of and Inquiry Into the Contribution of Double-Entry Bookkeeping to Capitalism" by James L. Strachan of Case Western Reserve University; No. 44, "Philosophies of History—Their Basic Tenets" by Owen B. Mosely of Murray State University and Milton F. Usry of Oklahoma State University; and No. 45, "The Development of the Audit Report in the United States" by Tonya K. Flesher and Dale L. Flesher, both from the University of Mississippi.

Members of the Academy may obtain copies of the above papers, free of charge, by writing Ashton C. Bishop, School of Business, Virginia Commonwealth University, Richmond, Virginia, 23284.

THESIS ON CARMAN BLOUGH

Richard Scott informs us that one of his graduate students at the University of Virginia, Elizabeth G. Ward, has written a 139 page thesis entitled "Intertwining Movements: Carman Blough and the Progress of the Accounting Profession." Scott also has a transcription of twelve hours of interviews with Blough. The transcript is 254 pages in length. Copies of either the thesis or the transcript may be obtained, at cost, from Richard A. Scott, McIntire School of Commerce, University of Virginia, Charlottesville, VA 22903.

THIRD INTERNATIONAL CONGRESS GREAT SUCCESS

The Third International Congress of Accounting Historians, held at the London Business School in August, 1980, was a resounding success. Over one hundred accounting historians, representing at least 17 countries, were in attendance. Over 40 percent of the delegates were from England and Scotland. About one-fourth of those attending were from the United States. Australia and the Orient were also well represented. The Congress was well covered by the media as at least eight of the delegates were editors of accounting periodicals.

The papers presented at the Congress were, in the opinion of this editor, the finest scholarly works ever brought together in one place. All of the participants had put forth their best efforts in preparing papers that were not only educational and entertaining, but inspirational as well. The younger ones of us in attendance took great pleasure in meeting and hearing some of the established legends in accounting history. For example, Basil Yamey was awe-inspiring in his presentation entitled "On Not Writing a General History of Accounting," and Bob Parker's presentation of Louis Goldberg's paper on the "Florescent Decade in Australia" was similarly interesting. The highlight of the program had to be the Haskins Seminar; Ernest Stevelinck of Belgium

and Howard Stettler of Kansas shared the stage. Stevelinck's paper and slide presentation on the "Iconography of Luca Pacioli" made a person proud to be an accountant. Hopefully, the Academy can have Stevelinck's slides reproduced for members who would like to present the Pacioli program in their own classes. The program for the final day of the Congress included a bus trip to the accounting museum at the Institute of Chartered Accountants Building in downtown London. This year commemorates the 100th anniversary of the Institute in England and Wales. Simply being able to attend a meeting such as the Congress makes accounting education a worthwhile occupation.

Fourth Congress in Pisa

The Fourth International Congress of Accounting Historians is scheduled for 1984 in Luca Pacioli's homeland. Pisa is the site that has been selected. Tito Antoni (University of Pisa) is responsible for the preparation of the 1984 program. Antoni and the organization committee have already announced that the Congress program will include a day-long trip to Borgo San Sepolcro, the town where Pacioli was born. All serious accounting historians should begin making plans (and saving their pennies) for the meeting in Pisa.

HISTORY IN PRINT

"A Look Around London," by R. H. Parker. *Accountants Weekly*, August 15, 1980, pp. 24-25.

"An Index to the Ledger: Some Historical Notes," by Basil S. Yamey. *The Accounting Review*, LV, No. 3, July, 1980, pp. 419-425.

"Arthur Young: The Man Behind the Name," by James Keating. *The Arthur Young Quarterly*, I, No. 2, Summer, 1980, pp. 14-21.

"Disclosure of Information—A Victorian Debate," by R. S. Waldron. *Accountants Weekly*, August 15, 1980, p. 23.

"Early Canal Company Accounts: Financial and Accounting Aspects of the Forth and Clyde Navigation, 1768-1816," by D. A. R. Forrester. *Accounting and Business Research*, 10, No. 37A, 1980, pp. 109-123.

"Early Views on the Origins and Development of Book-keeping and Accounting," by Basil S.

Yamey. *Accounting and Business Research*, 10, No. 37A, 1980, pp. 81-92.

"How the Past Can Explain the Present," by R. H. Parker. *Accountants Weekly*, August 15, 1980, pp. 22-23.

"Human Resource Accounting in Mississippi Before 1865," by Dale L. Flesher and Tonya K. Flesher. *Accounting and Business Research*, 10, No. 37A, 1980, pp. 124-129.

"Institute Examinations Behind Barbed Wire 1939-1945," by John Freear. *Accounting and Business Research*, 10, No. 37A, 1980, pp. 143-157.

"Jachomo Badoer, Renaissance Man of Commerce, and his Ledger," by Edward Peragallo. *Accounting and Business Research*, 10, No. 37A, 1980, pp. 93-101.

"Let's Dispel the Green Eyeshade Myth," by Linda M. Dykes and Karen H. Thornton. *The Woman CPA*, April, 1980, pp. 20-21.

"Looking Back Over a Century," by Stanford Letts. *Accountants Weekly*, August 15, 1980, pp. 26-27.

"Managerial Accounting in the Harmony Society," by Tonya K. Flesher and Dale L. Flesher. *Accounting, Organizations and Society*, 4, No. 4, 1979, pp. 297-304.

"Macghie's 'The Principles of Book-keeping'—The Second Scottish Book on Accounting," by Osamu Kojima. *Accounting and Business Research*, 10, No. 37A, pp. 102-108.

"On the Evolution of Theory Construction in Accounting: A Personal Account," by Richard Mattessich. *Accounting and Business Research*, 10, No. 37A, 1980, pp. 158-173.

"The Ministry of Munitions 1915-19 and Government Accounting Procedures," by Sheila Marriner. *Accounting and Business Research*, 10, No. 37A, 1980, pp. 130-142.

IDEAS FROM THE ARCHIVES COMMITTEE

Committee chairpersons have been encouraged to submit their annual reports to the editor of the NOTEBOOK so that members can be informed of committee activities. The Archives Committee has many opportunities for future work; some of these ideas are listed below.

1. Continued contacting of business archives as per visitations already started;
2. Continued contacting of University archives as per solicitation already made;
3. Establishing a more permanent relationship with the Society of American Archivists, especially the Business Archives Committee;
4. Establishing criteria for what accounting information that should be included in a business archive;
5. Getting firms, especially the larger public accounting firms, interested in the archives concept;
6. Urging leaders in the accounting profession—past, present, and future—to collect, catalogue, preserve, and present their papers to archives;
7. Interest members in doing research in archives we have noted;
8. Getting archivists to write about how archivists can aid us and how we can aid archivists. This could be an excellent topic for our newsletter or even our journal;
9. Establishing our own archives for our records;
10. Developing contacts with non-University and non-business archives and archivists;
11. Examining the Montgomery Collection at Columbia;
12. Listing the accounting items in the Archives and Baker Library;
13. Examining the Bentley Collection at the Boston Public Library;
14. Helping process the Paton papers at the University of Michigan;
15. Examining the George O. May papers at the Price Waterhouse library in New York City.

I think that #11, #13, and #15 would yield immense rewards to the researcher and the Academy and I hope that this brief report would spur some people to a gold mine of research material.

Richard Vangermeersch
Chairman of Archives Committee
1978-1980

Members interested in working on any of the above projects should contact Professor Vangermeersch at the University of Rhode Island, Kingston, RI 02881

VIDEOTAPES OF FAMOUS ACCOUNTANTS

The Academy has recently come into possession of eighteen video tapes of famous accountants. These tapes were produced in the early 1960's by Michigan State University under a grant from the Touche Ross Foundation. Unfortunately, the tapes are of the early two-inch commercial type and can only be played by television stations. Therefore, the Academy plans to have the tapes transcribed onto modern ¾ inch videocassette tapes. Once the tapes have been transcribed, the Academy will operate a lending library for the benefit of those members who wish to use the tapes in their classrooms. Each of the tapes is approximately one hour in length and should be suitable for senior level and graduate theory courses. The tapes are currently being housed by the School of Accountancy at the University of Mississippi. The media center at Ole Miss will transcribe the material as soon as the money (about \$1,000) is found to buy the blank tapes. Several sources will be tapped for the funds, but if anyone wishes to make a donation now, such gifts will be gladly accepted. In fact, some of the subjects of the tapes may personally wish to make a donation to speed the process of their personal tape being made available to the accounting public (contact Dale Flesher for further information). The subjects appearing on the tapes include Mautz, Trueblood, Paton, Blough, Chambers, Littleton, Carey, Moonitz, Sprouse, Bevis, Davidson, Horngren, Vatter and Spacek. The only tape that is currently available for loan is that of William A. Paton.

(Cont. from page 1)

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material is quoted extensively from it, is not a primary source. Similarly, FASB statements are primary material, but an interpretation of accounting policy is not.

B. Secondary Works

Secondary source materials are the end products of the study and use of primary materials, by historians, to which they have added their own organization and interpretation. Generally, however, historians would not acquire all of their facts for secondary works from primary sources alone; many other secondary works would be consulted. The work of other historians is of great use to the researcher, who produces secondary works by synthesizing material obtained from all sources and providing an interpretive structure based on the evidence.

All textbooks, monographs and journal articles generally are secondary works. At times, however, some of these materials could serve as primary sources. For example, if a researcher were dealing with the concerns of accountants in the 1920's, the journal articles in the *Accounting Review* of that period would be legitimate primary sources. Similarly, someone looking at changes in accounting education could use accounting texts as primary sources for that purpose.

C. Consciously Transmitted and Unconsciously Transmitted Evidence

This distinction can play a role in assessing the nature of evidence, for authors who are consciously recording their thoughts have an interest in furthering a particular view of events. This type of evidence can include memoirs, diaries, chronicles, court testimony, and taped interviews. Unconsciously transmitted evidence is not looking to be judged by posterity. Most accounting records in the form of journals, ledgers and reports are in this category as well as other business records, and public documents.

It must be noted, however, that there has been a growing consciousness of history, and certain types of source materials have become more purposeful in nature. Corporate annual reports, for example, are hardly neutral in intent while government papers also often have a goal in mind.

D. Written and Oral Evidence

Written evidence may be printed or in manuscript form (that is, inscribed by hand with pen, pencil, or crayon). Most early accounting records are in manuscript form. Although oral evidence is used to study preliterate cultures, it also

has become important in recent years for examination of contemporary developments. The use of film, videotape, and recorders has permitted interviews with prominent individuals and these techniques are being used increasingly by accounting historians.

The preceding categories are not meant to be exhaustive but provide some idea of the nature of historical evidence. The question of the collection of evidence will not be dealt with here, for it is assumed that academy members have used a variety of bibliographic aids in other research areas. Although the specifics involved in accounting history may be different, the methods are comparable. We therefore turn to the evaluation of evidence used in historical research.

Evaluation of Evidence

A. External Criticism

External criticism authenticates evidence and establishes texts in the most accurate possible form. It saves the researcher from "false" evidence by dealing with such problems as forgeries, garbled documents, partial texts, plagiarism, ghost writers, and interpolations. External criticism deals with both intentional and accidental errors in texts.

A good deal of the work of external criticism is done by specialists in such auxiliary disciplines as linguistics, paleography, genealogy, numismatics, scripophily, and archaeology. Researchers in accounting history, however, may need to do some external criticism to find either the author or the date of accounting records. Content analysis may be useful for such a process, that is looking at the social content of the audience. For example, the use of certain types of accounts, spelling, and the structure of language in general all may reveal date and/or authorship. Similarly, tests of consistency would include consistency with the known predispositions of a culture or sub-culture, general, or occupational background. The researcher also may compare the evidence under question with other pieces of contemporary evidence in order to get some idea of the normal style and form of the period. In addition, the physical properties of evidence also may be used to authenticate evidence. Such techniques range from the simple comparison of the properties of various papers and inks to sophisticated chemical analysis.

B. Internal Criticism

When evidence has been authenticated through the process of external criticism, the researcher then can turn to the creditability of the evidence which is the task of internal criticism. The term "higher

et al.: Accounting historians notebook, 1980, Vol. 3, no. 2 (fall) [whole criticism" is sometimes used for internal criticism, while external criticism is called "lower criticism."

Some aspects of internal criticism do not apply to certain types of accounting records. For example, in dealing with journals and ledgers we do not have to ascertain whether their real meaning is different from their literal meaning. If, however, the researcher was using the letters of a major accounting figure, the question of meaning is an important one. We also would want to know whether such a writer was in a position to deal with the subject in question. Internal criticism would look for the biases of the author, and how much time had elapsed since the events in question. The researcher also must deal with the intention of the author in writing and the audience for whom it was intended.

All of the questions posed by internal criticism basically ask the researcher to determine whether evidence can be used with sufficient confidence. Related to this is the question of corroborative evidence, for corroboration may resolve problems arising from contradictory evidence. How much corroboration is required for the researcher to feel comfortable with an interpretation depends on the nature of the problem being investigated and the availability of evidence. In general, the corroboration of relatively specific items and events is easier than that of complex problems.

Analysis and Synthesis

The evaluation of evidence is but one step on the road to a final synthesis or interpretation. The analysis of pieces of evidence and the parts of a problem ultimately lead to a comparison of the various types of evidence and their grouping into a coherent account.

The simple presentation of evidence is not enough. For example, a description of old account books without any attempt to deal with their broader significance is not really a history. The researcher must digest the evidence thoroughly, use the work of other scholars and venture into some generalization. The final interpretation or synthesis is the result of this process, and it is this interpretation which gives meaning to historical research.

Editors Note: Readers who have comments relative to the above committee report should share those thoughts with the Academy membership by sending responses either to Professor Diana Flamholtz, or to the editor of the *Notebook*, or both. Ms. Flamholtz will consider the comments for future committee reports. This editor will

consider pertinent letters for publication in future issues of the *Notebook*.

If this editor can be permitted one further comment concerning the above report, it is that the last two paragraphs are probably the most important of the entire report. Both as an instructor who has assigned accounting history students the task of writing term papers based on primary archival materials, and as an editor who sees the history manuscripts of others, I have been conscious of a lack of an analysis and synthesis of the material. Too often a paper consists almost solely of a presentation of evidence. As the committee report states, the researcher must "venture into some generalization" or conclusion. Such a statement is dangerous, but that is where the value lies in a historical study.

HORACE GIVENS WINS RARE BOOK AWARD

One of the trustees of the Academy, Horace Givens of West Virginia University, has recently won an award (second place) at a rare book exhibition. Professor Givens collects antique accounting books, a hobby that is enjoyed by several members of the Academy. Givens admits that his collection is not as large as those of some collectors, but he tries to stress quality. His award is evidence of the quality of his collection. His award is also evidence of the acceptance of accounting history as an intellectual partner in the sophisticated world of rare book collecting. So often, rare book exhibition awards go to first editions of William Faulkner or James Fenimore Cooper. To have an accounting book win such an award is indeed a coup for all accounting historians. Professor Givens did not indicate how many there were in the contest. Presumably, there were more than just two entrants. The editor of the *NOTEBOOK* would be interested in hearing about the rare book collections of other members.

AUSTRALIAN HISTORY NEWSLETTER

A new accounting history newsletter is being published by the Accounting History Committee of the Accounting Association of Australia and New Zealand. The newsletter's objective is to circulate items that may be of interest to accounting historians. For further information, contact the editors: Bob Gibson, Deakin University, Belmont, Victoria 3216, Australia, and Barrie O'Keeffe, Riverina College, Wagga Wagga, N.S.W. 2650, Australia.

Availability of International Congress Papers

The papers presented at the Third International Congress of Accounting Historians were outstanding. Although the papers were not published in a proceedings format, individual copies of all papers were made available to participants. The Academy, or perhaps even a commercial publisher (such as Arno Press) should probably consider the possibility of publishing a bound collection of the Congress papers. However, until that time arrives, members may obtain copies of individual papers in which they are interested. Gary Previts, in what may become known as a weak moment, has volunteered to provide copies of individual papers to interested members. Since Gary has no funds for copying, he cannot provide many free copies. Thus, anyone desiring a copy of a paper should send a contribution to Gary along with their request. Some of the available papers, and their authors, are listed below.

GENERAL HISTORY AND THEORY:

- Basil Yamey, "On Not Writing a General History of Accounting"
- M. J. R. Gaffikin, "Methodology for Historical Accounting Research"
- S. Takatera, "New Methodology in Comparative Accounting History and its Application"
- Gary Previts, "Pedagogical Thoughts About Lessons and Learning in Accounting History"
- Howard Stettler, "Comments on the Rationale Underlying Major Developments in the Allied Fields of Accounting and Auditing"
- M. J. Mumford, "Some Factors Influencing the Development of Accounting Thought"

ITALIAN ACCOUNTING:

- Ernest Stevelinck, "The Iconography of Luca Pacioli"
- C. Antinori, "An Anomalous Edition of Pacioli's *Summa de Arithmetica* 1494"
- C. Caramiello, "Francesco Villa: The 'Pioneer' of Accountancy in Italy"
- Tito Antoni, "Medium of Exchange and Money of Account in Mediaeval Accounting Documents"

MANAGERIAL ACCOUNTING:

- T. Var, "Development of a Budget Concept in the Ottoman Empire, 1300 to 1923"

- Tonya Flesher and Dale Flesher, "Managerial Accounting in an Early 19th Century German-American Religious Commune"
- Thomas Johnson, "Markets, Hierarchies and the History of Management Accounting"
- Robert Jennings, "17th and 18th Century Tontines—Comments on Internal Control"

BRITISH ACCOUNTING:

- Bob Raymond, "The Double Account System Revisited"
- P. J. Wallis, "Book Subscription Lists and the Accounting Historian"
- G. A. Lee, "Francis Willughby's Executorship Accounts 1672-1682"
- W. J. Hausman, "Business Enterprise in 18th Century Britain: Toft Moor Colliery, 1770-1779"
- M. Berry, "Ministry of Munitions and Cost Accounting in World War I"
- J. Hewgill, "The War Office Cost Accounting Experiment 1919-1925"
- J. R. Edwards, "Company Legislation and Changing Patterns of Disclosure in British Company Accounts 1900-1940"
- R. S. Waldron, "The Influence of Legal Decisions on the Forum of British Company Accounts in the Early Part of this Century."
- R. Ma and R. Morris, "Disclosure Practices of Banks in England and Australia in the 19th Century"
- M. J. Mephram, "Robert Hamilton (1743-1829)—A Survey of His Contribution to the Development of Accounting"
- M. Kedsle, "Social Origins of Scottish Chartered Accountants 1854-1904"

MISCELLANEOUS:

- P. Jouanique, "Mathieu de la Porte: His Life and His Work"
- Richard Brief, "Dicksee's Contributions to the Development of Accounting Theory and Practice"
- Ted Coe, George Sorter, and Barbara Merino, "An Historical Analysis of Articulated Financial Statements in a Corporate Society"

Requests for copies of the above papers should be addressed to Dr. Gary Previts, Division of Accounting, Case Western Reserve University, Cleveland, Ohio 44106.

The annual business meeting of the Academy of Accounting Historians was held on August 11 in Boston, in conjunction with the American Accounting Association. President Dick Brief made announcements pertaining to new personnel in various academy positions. The new co-editors of the ACCOUNTING HISTORIANS JOURNAL are Ed Coffman (Virginia Commonwealth University) and Mervyn Wingfield (James Madison University). Brief also announced that the 1981 dues were being raised to \$20 because of higher printing and postage costs. Also, members residing outside of the United States are asked to remit payments in U.S. funds. The increase in collection costs on non-U.S. fund remittances has risen sharply in the past year.

President Brief announced that the Board of Trustees had voted not to affiliate with the American Accounting Association as a section. The question will, however, be considered again in future years. Brief closed the formal meeting by announcing that the 1980 winners of the Academy's Hourglass Award were Gary Previts and Barbara Merino.

The accounting history session at the AAA meeting (organized by Academy vice-president, H. Thomas Johnson) was well attended. Accounting history was evident in other parts of the meeting as well. For example, former Congressman, Wilbur Mills spoke at the American Taxation Association luncheon on the subject of the 1964 Tax Reform Act. The approaching World Congress of Accounting Historians also tended to fuel the enthusiasm toward accounting history since many of the Boston attendees were going on to London.

Notable Contributions to Accounting Literature Award

Members of the Academy are invited to suggest works for nomination for the AICPA Notable Contributions to Accounting Literature Award. These nominations are restricted to articles published in either regular or irregular periodicals during the calendar year ending December 31, 1980, and books or irregular publications published during the five calendar years then ending.

Recommendations must be received by March 1, 1981. Please address your suggestions to Clifford Brown, Area of Accounting, Clarkson College, Potsdam, NY 13676 and/or A. George Petrie, P.O. Box 62, Loyola University, New Orleans, LA 70118.

Gary John Previts of Case Western Reserve University and Barbara Dubis Merino of New York University won this year's prestigious Hourglass Award for their book, *A HISTORY OF ACCOUNTING IN AMERICA*. The Hourglass Award is presented annually to the author or authors of the publication deemed to be the most noteworthy in the field of accounting history. The publisher of this year's award winner was John Wiley and Sons.

The Previts and Merino book represents the first comprehensive historical analysis of American accountancy from the time of Columbus to the modern day. The book is a highly readable Chronicle that evaluates the role of major thoughts, institutions and events in the development of the accounting profession in the United States.

Previts and Merino join an elite group of scholars by winning the Hourglass Award. Previous winners of the award include some of the leading names in accounting history research. The previous Hourglass winners, and the publications that won them the award, are as follows:

- 1973-Steve Zeff, *Forging Accounting Principles in Five Countries*.
- 1974-Michael Chatfield, *A History of Accounting Thought*.
- 1975-Hanns-Martin W. Schoenfeld, *Cost Terminology and Cost Theory: A Study of its Development and Present State in Central Europe*.
- 1976-Osamu Kojima and Basil Yamey, for reproduction of Ympyn's: *A Notable and Very Excellent Woorke* (1547).
- 1977-A. Van Severter, for translation of O. Ten Have's: *A History of Accountancy*.
- 1978-David A. R. Forrester, *Schmalenbach and After*.
- 1979-Murray Wells, *Accounting for Common Costs*.
- 1980-Gary John Previts and Barbara D. Merino, *A History of Accounting in America*.

MORE ON THE QUESTION OF WHETHER ACCOUNTING ANTEDATED WRITING

by
Louis Goldberg
Hawthorn, Victoria, Australia

Among the many interesting items that appear in *The Accounting Historians Notebook*, the question in the Spring issue, "Did Accounting Antedate Writing?" was of particular interest to me.

This question has been asked before, and answered in a virtual affirmative. The eminent archaeologist, the late Professor V. Gordon Childe, in his popular work "What Happened in History" (Pelican Books 1942) wrote as follows in relation to the invention of writing in ancient Sumer (p. 92):

"... perpetual corporations of priests found themselves charged with the heavy task of administering the unprecedented accumulations of wealth belonging to the Sumerian deities. The administration by such corporations of the temples' revenues on behalf of a divine master required the keeping of accurate records of all receipts and expenditures; a god's servants must be able to give account of their stewardship. The record must be intelligible not only to the official who made it, but to his successor and all the partners in the joint undertaking. No private system of reminders like the knot in the handkerchief was any use. The head of the brewery must note down what quantities of barley he received and how much beer and of what

strength he delivered and note it in symbols that not only reminded him of something, i.e., meant something to him, but meant the same thing to his successor, to the controller of the granaries and to other colleagues."

"The invention of a system of writing was just the agreement on the meanings to be attached to the symbols by the society using them for the common ends."

It is also worth noting that the philosopher, Alfred North Whitehead, is recorded as saying (Dialogues of Alfred North Whitehead, Mentor Books, 1959, p. 126): "... for a long time after writing had been invented it was little more than a keeping of accounts; a business of kings and bankers, promulgating orders and computing moneys."

Perhaps I might be forgiven for mentioning that I did attempt to introduce accountants to these sources some fifteen years ago in my "An Inquiry into The Nature of Accounting" (AAA Monograph No. 7, 1965, pp. 131 ff.), and perhaps some other readers may wish to ascertain whether the views advanced by these two eminent scholars (from different fields) would now represent a generally accepted attitude among present-day archaeologists and prehistorians.

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